DOCUMENT RESUME

ED 256 193 HE 018 227

TITLE Feasibility of a State-Funded Work-Study Program. A Staff Report to the California Postsecondary Education Commission. Commission Report 84-22.
INSTITUTION California State Postsecondary Education Commission, Sacramento.
PUB DATE Jun 84
NOTE 41p.
PUB TYPE Reports - Evaluative/Feasibility (142)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Community Colleges; *Eligibility; Employers; *Federal Programs; Financial Policy; Postsecondary Education; Private Colleges; *Resource Allocation; School Business Relationship; State Colleges; *State Programs; Statewide Planning; *Student Financial Aid; *Work Study Programs
IDENTIFIERS *California; College Work Study Program; Public Colleges

ABSTRACT

The need for and possible effects of a state-funded work-study program for students in California colleges and universities in a comprehensive system of student financial aid were assessed. After considering current levels of funding for all financial aid programs in California, attention is focused on the specific needs that could be addressed by a state-funded work-study program. For the California public and private sectors, information is provided on participation in the federally authorized College Work-Study program for 1979-1980 and 1983-1984, with attention to funding levels, number of awards, and number of participating institutions. Participation by sector in the job location and development component of the College Work-Study program, and utilization rates of program funds are also reported. The range of options available within work-study programs and the policy issues associated with each option are also discussed, including administrative structure and state-level regulation and evaluation. For the federal program and those of 11 states, information is provided on the eligibility of different classifications of students, institutions, and employers. (SW)

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FEASIBILITY OF A STATE-SUPPORTED WORK-STUDY PROGRAM

A Staff Report to the California Postsecondary Education Commission

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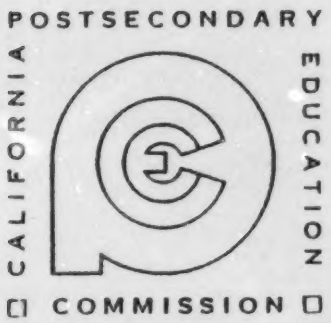
The California Postsecondary Education Commission was created by the Legislature and the Governor in 1974 as the successor to the California Coordinating Council for Higher Education in order to coordinate and plan for education in California beyond high school. As a state agency, the Commission is responsible for assuring that the State's resources for postsecondary education are utilized effectively and efficiently; for promoting diversity, innovation, and responsiveness to the needs of students and society; and for advising the Legislature and the Governor on statewide educational policy and funding.

The Commission consists of 15 members. Nine represent the general public, with three each appointed by the Speaker of the Assembly, the Senate Rules Committee, and the Governor. The other six represent the major educational systems of the State.

The Commission holds regular public meetings throughout the year at which it takes action on staff studies and adopts positions on legislative proposals affecting postsecondary education. Further information about the Commission, its meetings, its staff, and its other publications may be obtained from the Commission offices at 1020 Twelfth Street, Sacramento, California 95814; telephone (916) 445-7933.

FEASABILITY OF A STATE-FUNDED WORK-STUDY PROGRAM

A Staff Report to the California
Postsecondary Education Commission



CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1020 Twelfth Street, Sacramento, California 95814

Commission Report 84-22

June 1984

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INTRODUCTION

This Commission staff report seeks to assess the need for, and the possible effects of, a State-funded work-study program for students in California's colleges and universities in a comprehensive system of student financial aid. It stems from the fact that California's goals of access to, and choice of, quality postsecondary education for all interested students are endangered by the inadequacy of current financial aid programs to provide the level and types of assistance that qualified students need. The gap between student financial need and limited State and federal resources has been widening over the past several years. Work-study programs offer one means of extending these limited resources, as demonstrated by the experience of the federal College Work-Study program and of the 11 states that fund their own work-study programs. Although California participates in the federal program, it has not implemented one of its own to supplement the federal initiative.

This report outlines the options open to California and the issues that warrant attention if the State were to implement its own program.

- Part One places work-study in the context of California students' financial aid needs by assessing current levels of funding for all financial aid programs.

- Part Two examines the specific needs that could be addressed by a State-funded work-study program and describes the implications for California of the federal College Work-Study program and state work-study programs elsewhere in the nation.

- Part Three assess the participation of California in the federal College Work-Study program including levels of funding, number of awards, and utilization of federal appropriations.

- Part Four discusses the range of options available within work-study programs and the policy issues associated with each of them, including eligibility of students, institutions, and employers to participate in the program; administrative structure; and State-level regulation and evaluation.

- And Part Five summarizes Commission staff findings with references to questions posed at the outset of this study regarding the appropriateness of a State work-study program in California.

To undertake the study, the Commission staff has reviewed research on the topic and consulted with financial aid personnel at systemwide and campus offices of the California Community Colleges, the California State University, the University of California, and private independent institutions. Quantitative data has been supplied primarily by the U.S. Department of Education and the National Association of Student Employment Administrators.

The staff wishes to acknowledge the cooperation and assistance of the individuals and groups within the financial aid community whose advice and expertise was invaluable in preparing this report.

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ONE

THE NEED FOR INCREASED FINANCIAL AID

The exploration of new options for providing financial aid to California's postsecondary education students, such as State-funded work-study, has been prompted by the convergence of several trends:

- The rising student costs for housing, food, books, supplies, and transportation, plus increases in student fees and tuition -- including the introduction for the first time of mandatory statewide student charge at California's Community Colleges -- have not been met with a corresponding commitment by the State to provide the financial aid necessary to offset these increases and assure access and choice for eligible students.

- Reductions in federal student aid support and tighter eligibility requirements for federal funds have increased the need for the State to reasses the adequacy of its aid programs.

- Increased reliance on student loans has led not only to escalating long-term indebtedness of young people entering the labor force but increased default rates and concomitant government efforts to assure lender and borrower accountability.

As the Commission staff concluded in its recent report on the way California students finance their education (Meeting the Costs of Attending College, 1984, p. 81):

> Recent cutbacks in federal financial aid programs and in eligibility for Pell Grants and Guaranteed Student Loans, as well as limited increases in State funding for financial aid programs in recent years, raise serious questions about the present and future adequacy of financial aid.

TRENDS IN FEDERAL FINANCIAL AID

Over the past half decade, fundamental changes have occurred in the way students meet their educational costs, as more and more of them have come to rely on federal loans -- particularly Guaranteed Student Loans -- to finance their education. In 1978-79, Guaranteed Student Loans comprised only 19.1 percent of student financial aid in California, with scholarships, other grants, and work study making up the remaining 80.9 percent. By 1981-82, however, loans made up 50.1 percent of student financial aid, compared with 49.9 percent from other sources. By 1982-83, fully 23 percent of California's freshmen and an equal percentage of graduate students applied for guaranteed loans. As the volume of Guaranteed Student Loans -- which are made through private leaders -- has increased, the number of direct government loans in the campus-based National Direct Student Loan programs (NDSL) has declined. While the long-term effects of increased student indebtedness on educational

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hopes and attainment are not yet clear, some scholars of financial aid are advocating reduced dependence on loans as a method of financing higher education.

One alternative to loans are outright grants, such as those awarded under the federal Pell Grant program -- the "foundation" or starting point for the awarding of federal student financial aid, and the single largest source of grants for low-income California students. Until it was eclipsed by the rapid growth of the Guaranteed Student Loan program, this program was the largest source of federal aid to California students, as Table 1 below shows. But Pell Grants have recently been limited both by funding reductions and more stringent eligibility requirements. While the amount of Pell Grant funds received by students in California institutions continued to increase through 1981-82, they began to decline in 1982-83. At the same time, funding for the federal government's other grant program -- the campus-based Supplemental Educational Opportunity Grant (SEOG) program -- has declined from $36.3 to $34.9 million in California.

The other federal alternative to loans is the College Work-Study program, which is discussed in detail in Part Two of this report. As Table 1 indicates, support for this program declined from 1980-81 to 1982-83 before being increased in 1983-84. Although the Reagan administration has proposed augmenting its funds further if corresponding cuts are made in other programs, Congress has not acceded to this plan. Moreover, it appears unlikely that even a major augmentation will permit the program to regain its previous scope of influence in the near future. In 1980-81, it served 980,000 students nationwide, but even with the 1983-84 increase, it is serving only 858,000 this year.

TABLE 1 Federal Financial Aid Received by California Students and Institutions, 1978-79 Through 1983-84, in Millions of Dollars

Program	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Pell Grants	$121.3	$162.5	$164.0	$164.2	$161.4	N/A
Guaranteed Student Loans	N/A	153.8	438.3	601.96	500.78	N/A
Campus-Based and Programs:						
SEOG	29.5	34.9	36.3	36.3	34.9	$33.9
NDSL	36.9	32.4	30.4	18.8	18.6	18.4
Campus Work-Study	37.1	50.2	48.7	46.9	44.4	49.3

Source: U.S. Department of Education, Bureau of Financial Assistance, Campus-Based Programs Reports, 1979-80 through 1983-84, California Student Aid Commission Agenda, November 1983.

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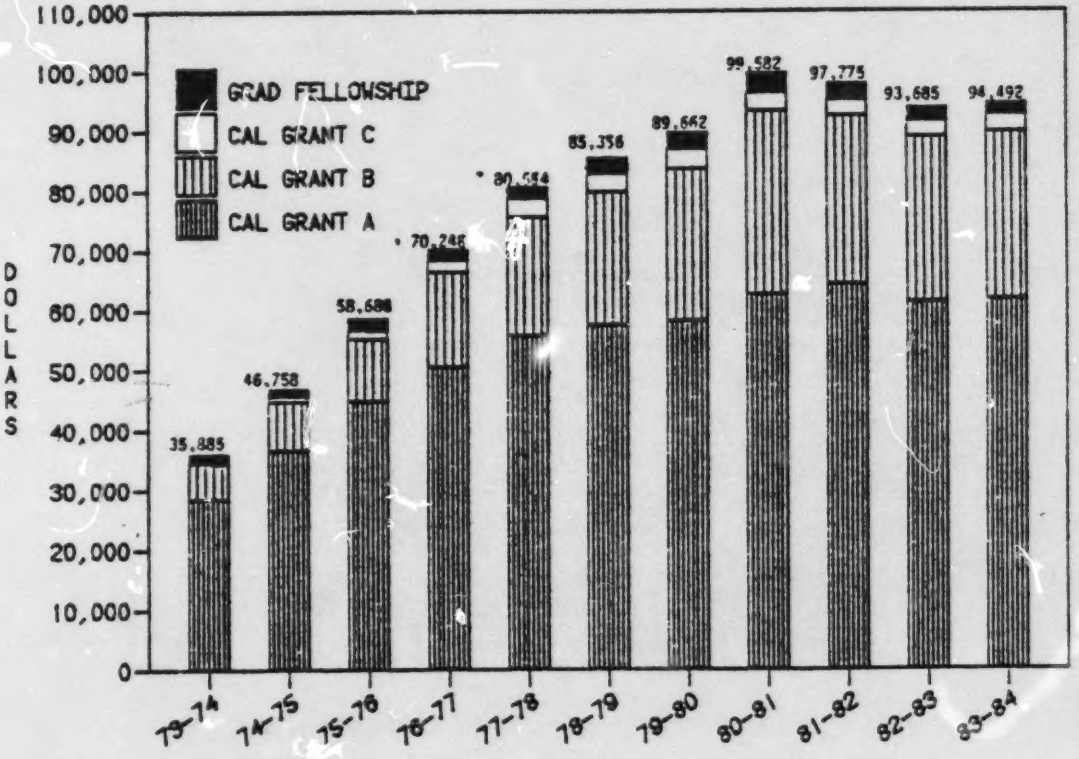
TRENDS IN STATE FINANCIAL AID

Reductions at the federal level have been accompanied by a more than 5 percent decline in total State support for the Cal Grant and graduate fellowship programs of the California Student Aid Commission since 1980-81. As Figure 1 shows, State support dropped from $99.6 million that year to $94.5 million this year. During the same period, student fees at the University of California and the California State University increased by 79 percent and 216 percent, respectively, while tuition and fees at independent colleges enrolling Cal Grant recipients rose an average of over 20 percent. As a result, only 40 percent of all needy eligible applicants were served in 1983-84, compared to 65 percent in 1978-79.

Proposals for increasing the number and maximum amount of Cal Grant awards for 1984-85 are now assured, but the total increase in the Budget Bill of $9.2 million serves only to stem the current erosion of the program caused by inflation and underfunding. Moreover, State financial aid policy remains unclear. Bipartisan agreement exists that State-funded financial aid should

FIGURE 1 Amount of California Student Aid Commission Awards, by Program, 1973-74 Through 1983-84, in Thousands of Dollars



Source: California Postsecondary Education Commission.

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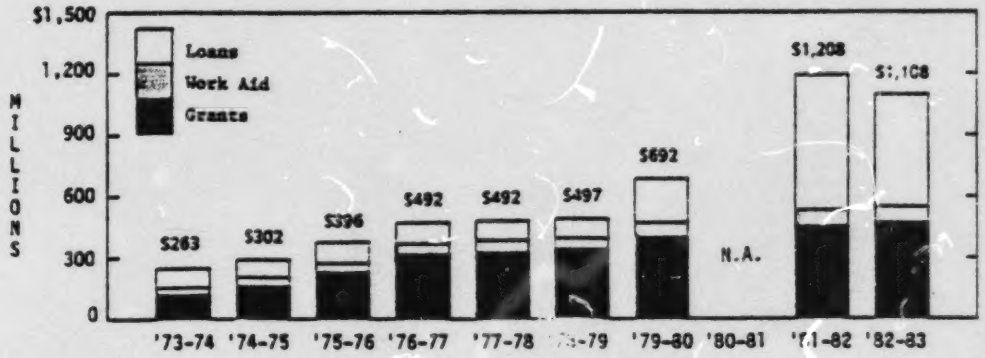
offset fee increases, but little consensus exists about the objectives of State-funded financial aid as a whole or the most effective type of financial aid to accomplish these objectives.

CONCLUSION

Recent declines in financial aid for California college students from both federal and State sources have resulted in increased unmet need for financial assistance. As Figure 2 shows, even though the total amount of grant funds from all sources of financial aid has continued to grow, the total amount of student aid has declined since 1981-82, while the financial needs of the potential student population have risen. Planned increases in State aid will not provide sufficient financial support to cover federal reductions. With increased federal aid unlikely, consideration should thus be given to the use of State financial aid funds in the most efficient and cost-effective way possible in order to guarantee adequate aid for all students who otherwise could not avail themselves of the State's educational opportunities.

Increased support for existing State grant and fellowship programs is one alternative which must be considered. However, the Cal Grant programs and the Graduate Fellowship program have experienced problems not only in funding but also in basic policy direction, and they are only one type of financial aid program available to the State for increasing student assistance in California. A State-funded and administered work-study program represents a second option for consideration.

FIGURE 2 Types of Financial Aid Available to California Students, 1973-74 Through 1982-83, in Millions of Dollars



Source: California Student Aid Commission.

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TWO

ELEMENTS AND EXAMPLES OF WORK-STUDY

Government-funded work-study programs provide part-time employment for students who need such earnings to pursue their postsecondary education. These programs subsidize students' wages up to a fixed maximum, with the remainder paid by the students' institution or employer. Advocates of a State-funded work-study program believe it deserves consideration in California for a variety of reasons, among them:

- Work-study offers a way to increase the effectiveness and leverage of limited government funds, since institutional and financial aid employer contributions extend the amount of these resources.
- It exemplifies the "self-help" approach to financial aid, whereby students develop self-reliance and discipline as well as work skills by earning at least a portion of their educational expenses.
- It avoids the financial encumbrance that burdens students who must rely on loans to complete their program.
- If it includes private for-profit employers, it strengthens the education/employment link between institutions and their communities.
- It provides a continuing source of inexpensive labor for institutions and employers.
- And according to research findings, students who work part time either on campus or at off-campus jobs related to their studies show greater academic persistence than other students.

For such reasons as these, 11 of the 50 states have created their own work-study programs to supplement the federal College Work-Study program. The 11 are Colorado, Connecticut, Florida, Kentucky, Massachusetts, Minnesota, New Mexico, New York, Rhode Island, Virginia, and Washington. Eight other states -- Texas, Kansas, Oklahoma, Oregon, Montana, North Dakota, Alaska, and New Jersey -- are in the process of developing such programs. All of these state programs share a common structure derived from experience with the federal College Work-Study program, although they range widely in scope and purpose. Therefore, the regulations, administration and funding practices of the federal program provide point of reference for reviewing the similarities and differences among state programs. In addition, California's participation in the federal program offers the only quantitative basis available for assessing the State's need for additional work-study funds.

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ELEMENTS OF THE FEDERAL COLLEGE WORK-STUDY PROGRAM

The College Work-Study program originated in 1965 under the Economic Opportunity Act of 1964, but its statutory authority was transferred to the Higher Education Act in 1968. This Act, including its College Work-Study component was amended substantially in 1980 and is scheduled for reauthorization in 1985.

Table 2 shows levels of College Work-Study appropriations, number of recipients, and number of institutions participating in the program since 1973-74. As can be seen, appropriations during the decade increased or remained stable until 1981-82, when the first cuts to the program occurred and increased in 1983-84 to an all-time high of $584 million. Both the number of recipients and of participating institutions are again increasing after declining in 1981-82, although neither has regained its 1980-81 level.

TABLE 2 College Work-Study Appropriations, Recipients, and Participating Institutions, Federal Fiscal Years (October 1 to September 30) 1973-74 Through 1983-84

Federal Fiscal Year	Appropriation in Thousands	Number of Awards	Number of Participating Institutions
1973-74	$270,200	570,000	2,992
1974-75	420,000	570,000	3,154
1975-76	390,000	696,661	3,215
1976-77	390,000	845,275	3,221
1977-78	435,000	852,475	3,197
1978-79	550,000	922,621	3,220
1979-80	550,000	975,620	3,300
1980-81	550,000	980,000	3,350
1981-82	542,000	874,412	3,138
1982-83	524,000	832,348	3,259
1983-84	584,000	858,117	3,305

Source: U.S. Department of Education, 1983, p. 76.

Institutional Eligibility

Institutions eligible to participate in the College Work-Study program include proprietary postsecondary vocational schools as well as public and private two- and four-year colleges and universities. Vocational schools must offer programs that prepare students for entry into the labor market, and proprietary schools cannot themselves employ College Work-Study students.

Public institutions receive approximately 60 percent of College Work-Study funds while private and proprietary institutions receive the remaining 40 percent. Nationally, four-year public institutions receive more than twice the funding as two-year institutions, although in California, Community Colleges receive more than the University and State University. Two-year private and proprietary schools account for less than 5 percent of all College Work-Study funds nationwide.

Student Eligibility

College Work-Study seeks to provide part-time employment for students in financial need of such earnings to pursue their postsecondary education. Thus it is a "need-based" financial aid program intended to provide students with sufficient funds to meet the difference between their available resources and the cost of their education.

Each institution determines this difference through a "needs analysis" that calculates student expenses for tuition and fees, books, supplies, room and board, transportation, and miscellaneous expenditures according to whether students live on or off campus or commute from home and whether they are financially dependent or independent, single or married, and have dependents. Based on this analysis, the institution assembles a financial aid "package" for the student that consists of available federal and non-federal grant, loan, and College Work-Study resources.

There is no minimum or maximum amount of College Work-Study funds a student may receive, but the average award totals $650. Federal regulations urge institutions to consider the number of hours per week the student can work, length of the academic year or employment period, anticipated wage rate, and the amount of other assistance available to the student in determining the amount of College Work-Study funds to be used, and federal law requires that no more than 80 percent of the student's wages may be paid with College Work-Study funds. Thus the remaining 20 percent must be paid by the institution or an off-campus employer. An institution may, of course, stretch its federal Campus Work-Study dollars by funding a share greater than 20 percent of the student's wages itself. The great majority of students receiving College Work-Study support are between the ages of 18 and 24 and are in their freshman or sophomore years of college. Somewhat more women than men participate in the program: three women for every two men. Fully 46 percent of recipients identify themselves as ethnic minorities.

Employer Eligibility

College Work-Study students may work either for the institution itself or in "the public interest" for a federal, state, or local public agency or any private nonprofit organization with the exception of credit unions, fraternal or religious orders, and cooperatives. Work performed in the public interest is considered to be that performed for the national or community welfare rather than for the benefit of a particular interest or group. Thus students may not work for elected officials outside government agencies in an election or fund-raising activities, and they may not work in an institution's profit-making activities such as maintaining athletic fields, auditoriums, theaters,

or parking lots. They cannot be used to displace existing employees, impair existing service contracts, or fill vacancies resulting from strikes. A College Work-Study job should be one that the institution or an employer would normally have to pay other persons outside the program to perform.

Fund Use Restrictions

Students must be paid at the federal minimum hourly wage rate, although graduate students may be employed on a salary basis. All earnings must be applied to the cost of attendance, although job-related costs such as uniforms, transportation, and room and board during vacation periods can be factored into the students' needs analysis. Either the institution or the employer may disburse the College Work-Study funds to students employed off campus.

Currently, no federal regulations require that students' employment be related to their course of study, although this is a common requirement of state-funded work-study programs.

VARIATION IN STATE WORK-STUDY PROGRAMS

Table 3 illustrates the great range of options available to states which choose work-study to augment other state-funded financial aid. These state programs may work wholly or partly in tandem with the federal College Work-Study program. They may require different standards of eligibility for institutions, students, and employers, and their regulations may be adjusted to reflect state needs; but it is the success and stability of the federal program over time which is leading states to move toward this type of aid.

Institutional Eligibility

While public and private two- and four-year colleges and universities and proprietary vocational schools are all eligible to participate in the federal College Work-Study program, they differ in eligibility for State funding. Several state work-study programs exclude proprietary schools from participation; Colorado excludes independent institutions; and New York excludes public institutions.

Student Eligibility

Like work-study at the federal level, most state programs are "need-based" in that they assist students meet the difference between their resources and the costs of their education. But while the federal government requires that institutions employ a "uniform methodology" for determining this difference, state programs do not necessarily require use of this uniform methodology, and Colorado has set aside one-third of its state work-study funds to serve non-need-based students.

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TABLE 3 , Major Characteristics of Federal and State Work-Study Programs

	Federal	Colorado	Connecticut	Florida	Kentucky	Massachusetts	Minnesota	New Mexico	New York	Rhode Island	Virginia	Washington
INSTITUTIONAL ELIGIBILITY												
Public Four-Year and Two-Year Institutions	x	x	x	x	x	x	x	x		x	x	x
Private Institutions	x		x	x	x	x	x	x	x	x	x	x
Proprietary Schools			x	x			x		x	x		
Must be Eligible for Federal College Work-Study Funds		x	x	x		x	x	x	x	x	x	
Must Meet Additional Eligibility Criteria		x		x		x	x			x	x	
STUDENT ELIGIBILITY												
Resident	x	x	x	x	x	x	x	x	x	x	x	x
Non-Resident												x
Part-Time	x	x	x					x	x	x		x
Full-Time	x	x	x	x	x	x	x	x	x	x	x	x
Undergraduate	x	x	x	x	x	x	x	x	x	x	x	x
Graduate	x		x				x	x			x	x
Need-Based	x	x	x	x	x	x	x	x	x	x	x	x
Non-need-Based		x										
EMPLOYER ELIGIBILITY												
Institution	x	x	x	x		x	x	x	x	x		x
Off-Campus Employer	x	x	x	x	x	x	x	x	x	x	x	x
Non-Profit Employers Only	x	x	x	x		x	x	x	x	x	x	x
For-Profit Employers Eligible				x	x	x					x	x
FUND USAGE												
Awards Made to School	x	x	x	x	x	x	x	x	x	x	x	x
Awards Made to Employer												
Students Paid by School	x	x	x	x	x	x	x	x	x	x	x	x
Students Paid by Employer	x											x
Students Paid by State												x
State Funds Used as a Major Percent of Match			x	x	x	x	x		x	x	x	x
State Funds Used to Match Federal Funds		x	x	x				x		x		

Source: Adapted from National Association of Student Employment Administrators, 1983.

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In 1980, amendments to the federal College Work-Study program allowed states to set aside funds for a non-need-based "Job Location and Development" program. Information about this program appear in the Appendix. The apparent success of this program in generating maximum student earnings through a minimal outlay of federal and institutional funds has led some states to consider additional state support for this non-need-based program.

As Table 3 shows, several states exclude part-time students and graduate students from participation in their programs, unlike the federal program. Only Washington State permits non-resident students to participate in its program, while the other ten restrict eligibility to state residents.

Although federal law specifies that no more than 80 percent of student wages may be paid with federal College Work-Study funds, with the remaining 20 percent to be paid by the employing institution or off-campus employer, state programs differ in the amount of matching funds they require. For example, Florida requires a 50:50 ratio of work-study funds to employer contributions, while Washington State sets this ratio at 65:35.

Employer Eligibility

Most state programs follow federal guidelines that allow only nonprofit off-campus employers operating in the "public interest" to participate along with institutions in the College Work-Study program. They also specify that student employees may not displace existing employees and they must be paid at least at the federal minimum wage rate. However, Washington State's use of for-profit off-campus employers is gaining consideration in other states because of its apparent success. States considering the use of for-profit employers appear to be following Washington State's requirement that off-campus employment be related to the students' course of study.

ELEMENTS OF THE WASHINGTON STATE WORK-STUDY PROGRAM

Washington State has been the pioneer and innovator for state work-study programs. As shown in Table 4, in the ten years since it created its program, its commitment to state-funded work-study has increased from $506,000 in 1974-75 to a projected $7.4 million in 1984-85, representing 42 percent of the total work-study funds available to Washington and 43 percent of all state-funded student aid in the state. Its state program is entirely separate from the federal College Work-Study program, in that no state funds can be used by institutions to match federal funds.

Washington State excludes proprietary schools from participation in its program. Its public postsecondary institutions must match at least 20 percent of state funds, and all other employers (both independent institutions and nonprofit and for-profit corporations) must provide a minimum of 35 percent. The state imposes no limits on the percentage of funds which can be used for private sector employment. In 1981-82, 1,100 employers were serving 4,000 students at 35 institutions, with about half of them for-profit and the other half nonprofit.

TABLE 4 Allocations in Washington State of Federal College Work-Study and Washington State Work-Study Program Funds, 1974-75 Through 1982-83, and Projected 1982-83 and 1983-84

Year	Federal College-work Study	(%)	State Work-Study	(%)	Total
1974-75	$ 5,689,896	(92)	$ 506,000	(8)	$ 6,195,985
1975-76	5,783,539	(90)	620,000	(10)	6,403,539
1976-77	8,110,679	(91)	780,000	(9)	8,890,679
1977-78	8,063,860	(82)	1,770,000	(18)	9,833,860
1978-79	9,838,511	(82)	2,151,000	(18)	11,989,511
1979-80	11,352,092	(85)	2,064,000	(15)	13,416,092
1980-81	10,443,259	(77)	3,064,000	(23)	13,507,259
1981-82	10,976,797	(73)	4,060,000	(27)	15,036,797
1982-83[1]	10,125,196	(69)	4,655,000	(31)	14,780,196
1983-84[1]	10,125,196	(62)	6,100,000	(38)	16,225,196
1984-85[1]	10,125,196	(58)	7,400,000	(42)	17,525,196

1. Projected allocations, assuming constant federal College Work-Study appropriations (unadjusted for inflation) for the 1983 and 1984 federal fiscal years, and assuming full funding of the Council for Postsecondary Education's 1983-85 biennial budget request.

Source: State of Washington Council for Postsecondary Education, September 1982.

Washington State's inclusion of profit-making employers in its programs represents a major difference from federal College Work-Study, but other differences also exist between the two programs. Washington restricts the number of hours that students can work; in some instances, students do not have to demonstrate financial need; employers must sign agreements with the students' institutions; and institutions must sign agreements with the Washington Council for Postsecondary Education which administers the program. The participation of any sectarian organizations or church entities is forbidden. Determination of student wage levels is based on the entry-level salary of comparable positions within the employing organization rather than on federal minimum wage levels. And although Washington State work-study students may not displace employed workers or fill positions in public institutions occupied by classified employees, they are not prohibited from filling other available job openings.

Moreover, Washington State officials view the thrust of its program as different from the federal program in holding that its aim is to see that the student, rather than the institution, is best served. Thus they emphasize the career relatedness of jobs for students, and they try to make the nature of the work, rather than the nature of the employer, of prime consideration.

CONCLUSION

Consideration of a State-funded work-study program in California can benefit from the experience of the federal government and other states with such programs. These programs vary widely in their institutional, student, and employer eligibility requirements, and California can weigh their advantages and disadvantages in its own deliberations. Nonetheless, consideration of a California program should not be dependent on fluctuations in the level of federal support for College Work-Study. Financial aid planning at the State level cannot succeed in guaranteeing access and choice if it seeks simply to augment federal financial aid and react to changes in federal funding.

THREE

CALIFORNIA'S PARTICIPATION IN THE FEDERAL COLLEGE WORK-STUDY PROGRAM

California's participation in the federal College Work-Study program provides at least some evidence about the State's need for work-study funds. California institutions of higher education have been participating in the federal program since its inception in 1964. In federal fiscal year 1983-84, 285 of them received a total of $49.3 million which allowed them to make College Work-Study awards to 73,088 students. Table 5 shows California's participation in the program since 1979-80, and it indicates that federal funds available to California institutions have almost regained their 1979-80 level after having declined by some 16 percent through 1982-83. It also indicates that while the number of participating institutions increased by 12 percent over the past five years, the number of awards given by these institutions decreased by 19 percent. This means that overall since 1979-80, more California institutions have been distributing fewer total dollars to fewer students.

In 1979-80, the awards averaged $555 nationally, while in 1983-84, they averaged $675, suggesting that institutions are responding to educational cost increases by expanding the size of their awards while cutting back on their number. The effects of this practice on student access must be counted as negative, when the tightening of eligibility for Pell Grants and Guaranteed Student Loans and reductions in State financial aid are taken into account.

Table 6 compares the participation of California institutions in College Work-Study by segment during 1979-80 and 1983-84 -- before and after the program's severe funding constraints which began in 1981-82. Although the two-year decline that began in 1981-82 was reversed in 1983-84, the effects of these fiscal constraints are still apparent in the decrease from 1979-80 in the number of awards and, in some instances, in funding levels.

TABLE 5 California's Participation in the College Work-Study Program, Federal Fiscal Years 1979-80 Through 1983-84

Federal Fiscal Year	Federal Funds Allocated	Estimated Number of Awards	Number of Participating Institutions
1979-80	$49,832,000	89,790	265
1980-81	47,281,000	91,806	252
1981-82	45,176,000	74,051	258
1982-83	41,980,000	71,049	278
1983-84	49,334,000	73,088	285

Source: U.S. Department of Education, Bureau of Financial Assistance, Campus-Based Program Reports, 1979-80 through 1983-84.

TABLE 6 California's Participation in the College Work-Study Program by Segment, Federal Fiscal Years 1979-80 and 1983-84

	1979-80			1983-84		
	Federal Funds Allocated	Estimated Number[a] of Awards	Number of Participating Institutions	Federal Funds Allocated	Number of Awards	Number of Participating Institutions
PUBLIC INSTITUTIONS						
University of California	$ 8,093,803	18,749	9	$ 9,879,962	14,638	9
The California State University	10,631,272	19,156	19	9,495,727	14,067	19
California Community Colleges	15,809,396	28,489	102	15,277,658	22,639	106
PRIVATE INSTITUTIONS						
Accredited Degree-Granting Institutions	16,487,653	26,461	84	12,423,761	19,052	96
Authorized or Approved Degree Granting Institutions	116,039	210	6	239,402	354	10
Vocational Technical Schools	257,391	463	13	1,061,677	1,481	48

a. Estimated number of awards based on average federal award. Does not reflect actual number of awards made by segment.

Source: U.S. Department of Education, Bureau of Financial Aid, Campus-Based Program Reports, 1979-80 and 1983-84.

PUBLIC SEGMENT PARTICIPATION

University of California

As Table 6 illustrates, funding for College Work-Study in the University of California has increased from $8.09 million in 1979-80 to $9.88 million in 1983-84. However, its 1983-84 level is actually a decline of $.65 million from a 1980-81 funding high of $10.53 million.

The number of awards given by the University has also declined precipitously -- by over 4,000 since 1979-80. Because the effects of inflation combined with rapid increases in student fees have not been met with funding increases for the program at the federal level, the University's efforts to maintain average award levels have resulted in a 20 percent drop in the number of its students receiving College Work-Study aid.

Besides participating in College Work-Study, the University operates a work-study program funded entirely with institutional funds for foreign students who do not meet residency requirements and as a fill-in for campuses who run short of College Work-Study funds, but funding for this program averages only about $1 million a year for all nine campuses. Eligibility requirements for employers are the same as for the federal program.

The California State University

The pattern of State University participation in College Work-Study closely parallels that of the University, except that the total funds available to the State University between 1979-80 and 1983-84 declined by 10 percent rather than rose. The number of its awards also dropped by over 5,000 -- a 27 percent decrease. Again, the effects of inflation, the increase in prevailing wage rates, and the particularly sharp rise in State University students' fees have contributed to the attrition of its College Work-Study aid.

California Community Colleges

The Community Colleges exhibit a pattern similar to the State University, with the major difference being only a 4 percent decline in total allocations of between 1979-80 and 1983-84 and a 20 percent drop in the number of awards, leaving them with the same underfunding dilemma as the senior segments.

The Community Colleges may offer work-study opportunities to needy minority students funded wholly or in part through their Extended Opportunity Program and Services (EOPS). In 1982-83, approximately $1.4 million of EOPS funds were expended for work-study of 2,159 recipients, but differences in reporting practices among districts make estimates of award levels or matching ratios for this program difficult.

Some Community Colleges have been able to take advantage of a provision in federal College Work-Study regulations that extends federal share contributions beyond 80 percent for "developing" institutions and those with a large percentage of low-income students. These discretionary funds are retained at the federal level and are allocated on special request by institutions.

INDEPENDENT AND PRIVATE INSTITUTION PARTICIPATION

Participation in College Work-Study by some of California's independent and private institutions has followed slightly different trends than that of

public institutions. As Table 6 illustrates, accredited degree-granting institutions suffered declines in funding and number of awards, despite the growth of participation from 84 to 96 of all 185 accredited institutions, but authorized and approved institutions more than doubled their funding levels and increased their awards from 210 to 354. However, participation by these institutions remains minimal, with only 10 out of 259 currently receiving federal funds.

This pattern also holds for private vocational/technical schools, whose funds, awards, and numbers have increased substantially from 1979-80 to 1983-84, but whose overall participation rate remains minimal, with only 48 of more than 1,500 participating. One reason is the federal regulation that limits College Work-Study employment only to non-profit institutions, agencies, and organizations. This federal policy directly affects the delivery of State-funded financial aid to students attending these institutions.

CALIFORNIA'S PARTICIPATION IN JOB LOCATION AND DEVELOPMENT

As shown in Table 7, California's participation in this new Job Location and Development component of College Work-Study has already brought a substantial return on investment. Twenty-six public two- and four-year institutions invested $332,822 which was matched by $528,753 in federal funds for a total investment of $812,339. With these funds, 16,350 students were helped to locate jobs that provided total earnings for them of more than $25 million and average earnings for each of them of $1,548, -- an amount that in many cases contributed substantially to their ability to finance their education.

TABLE 7 Job Location and Development Participation by the University of California, the California State University, and California Community Colleges, 1982-83

	Federal Share	Institutional Share	Total Funds	Number of Students Served	Total Earnings
University of California (four campuses)	$ 82,412	$ 51,702	$148,175	3,232	$ 2,379,624
The California State University (12 campuses)	228,664	152,607	381,271	11,270	19,783,232
California Community Colleges (ten colleges)	217,677	130,513	282,893	1,848	3,157,223
TOTAL	$528,753	$332,822	$812,339	16,350	$25,320,079

Source: Systemwide Offices of University of California and California State University; Chancellor's Office, California Community Colleges.

Data on the participation of independent and private California institutions in the Job Location and Development program are not available, but among public institutions the California State University demonstrates the greatest commitment to the program. The number of its students served and the total earnings they generated far exceed those of the other public segments, particularly when the total amount of funds invested is considered. Further examination of the ability of the Job Location and Development program to generate student earnings seems appropriate if California considers funding its own work-study program.

UTILIZATION RATES OF COLLEGE WORK-STUDY FUNDS

The rate at which California's institutions utilize their work-study funds provides at least some indication of their likely ability to use additional funds effectively. No information exists for California's independent and proprietary institutions, but Table 8 lists data for the State's three public segments as of fiscal year 1982-83. These data indicate that the percentage of unexpended funds is very small -- running between .2 and 2.8 percent -- and suggest that there would be little problem in placing more work-study students with employers. These data are supported by the views of financial aid officers, who indicate that the demand for College Work-Study students at their institutions far exceeds the supply.

Some institutions have been able to increase their number of work-study students by increasing their ratio of federal-to-employer payments beyond the 80:20 floor required by federal regulations. Their ability to increase the employers' share from 20 to 35 or 40 percent extends their federal funds so that they can make more awards from these funds.

TABLE 8 Utilization of College Work-Study Funds by California's Public Segments, 1982-83

	Total Adjusted Allocation	Unexpended Funds	Percent Utilization
California State University	$ 8,703,798	$ 9,698	99.8%
University of California	9,011,698	68,047	99.2
California Community Colleges	13,665,002	382,458	97.2

Source: Systemwide Offices of the University of California and California State University; Chancellor's Office, California Community Colleges.

CONCLUSION

Information to provide a comprehensive picture of California's use of federal College Work-Study funds, such as facts about the circumstances and characteristics of students receiving College Work-Study aid, is currently unavailable. Efforts should be made to obtain such data prior to developing specific proposals for a State-funded work-study program. However, existing data indicate that California's colleges and universities are using virtually all of the funds available to them and are making fewer awards than in the past, with no indication of a decline in demand. Coupled with the reduction in other forms of financial aid, a strong case appears to exist for the ability of California's institutions to use additional work-study funds in meeting student needs.

FOUR

OPTIONS FOR STATE-FUNDED WORK-STUDY IN CALIFORNIA

Any State-funded work-study program in California should be predicated on more than its ability to augment federal financial aid funds. Such a program should provide an efficient, cost-effective means of expanding the State's financial aid commitment without violating current financial aid policies or causing undue dislocation to existing aid programs. For example, any new program should conform to existing state aid policy in areas such as governance, regulations, appropriations, allocation, and evaluation, and must consider California's constitutional prohibition of direct State aid to private institutions.

The program options available to California fall into three general categories along a continuum of program complexity, level of funding, and effects on other State aid programs. These catagories are:

1. Merely augmenting the current federal College Work-Study program with increased State matching funds;

2. Creating a separate State-funded work-study program which complements the existing federal program but expands eligibility and participation of students and employers; and

3. Developing a major new State financial aid initiative through a work-study program that could include private profit-making employers, significant expansion of institutional and student eligibility, and a major investment or reinvestment of State aid resources.

Regardless of the category that might be considered, plans for any program would need to address such questions as these:

- Regarding institutional eligibility, should eligibility be extended to all institutions of postsecondary education or restricted to certain types?

- Regarding student eligibility, should the program be need-based or non-need-based? Should it be open to part-time as well as full-time students, nonresidents as well as State residents, and graduate students as well as undergraduates? And should students be required to maintain a certain academic standing or demonstrate progress toward a degree?

- Regarding employer eligibility, should off-campus employers include for-profit businesses as well as nonprofit organizations? Should restrictions on displacing existing employment be required? Should employers sign contracts with institutions or the State operating agency? And what level of matching funds should be required of employers?

- Regarding fund use and restrictions, should jobs be required to be related to students' career interests? Should limits be placed on maximum hours of work and minimum rates of compensation? And should the Job Location

and Development and the community service components of federal College Work-Study be utilized by a State-funded program?

- Regarding program administration, what State agencies should plan, administer, monitor, and evaluate the program? Should the program be coordinated at statewide or segmental levels or operate at the campus level without unnecessary systemwide regulation?

- Regarding funding, should State support come from General Fund appropriations, special fund resources, or reappropriation of existing funds? Should a limited pilot program be funded and evaluated before deciding on statewide implementation; should the program be phased in as part of an existing financial aid program, or should funding be granted for full-fledged program entirely separate from existing aid programs? And should funding stem from special legislation, trailer bill language, or budget line item?

Although these questions would need to be answered in terms of California's own financial aid goals and the size and complexity of its postsecondary enterprise, the experience of the federal government and other states can be useful in analyzing the appropriateness of particular answers for each of the elements of a possible State-funded work-study program in California.

INSTITUTIONAL ELIGIBILITY

Two issues should be addressed regarding institutional eligibility for participation in a California State-supported work-study program: First, does California's constitutional prohibition against direct aid to non-public educational institutions preclude the inclusion of independent and proprietary institutions in any such program? And second, if not, should such institutions be included in order to make up for the diminishing share of State-funded financial aid that they have been receiving?

The Constitutional Issue

Article IX, Section 8, of the California Constitution states that:

> No public money shall ever be appropriated for the support of any sectarian or denominational school, or any school not under the exclusive control of the officers of the public schools; nor shall any sectarian or denominational doctrine be taught, or instruction thereon be permitted, directly or indirectly, in any of the common schools of this State.

This prohibition has not prevented the awarding of State scholarships and other grants to students at religious and other non-public colleges and universities in California under the Cal Grant program. Students apply directly to the Student Aid Commission for these awards, and institutions serve only as a conduit for the funds. Work-study programs, however, generally stipulate that educational institutions are either the employer or the

source of matching funds for off-campus employment. If California sought to include private institutions in a work-study program, some sensitivity must be shown to the constitutional questions involved. Suggestions for avoiding the constitutional restriction have included administering work-study aid to students at private institutions through public institutions, and awarding aid to students through direct reimbursement to employers.

For example, Washington State's constitution also prohibits direct aid to private institutions, but its work-study program uses a voucher system for paying employers after the fact. Under this system, off-campus employers pay students directly for the full amount they earn and then submit time-sheet vouchers, approved by the student, employer, and participating institution, to the Washington State Council on Postsecondary Education for that portion of the students' wages covered by state funds. The Council then reimburses the employer directly, thereby avoiding any direct aid to the institution. Although this procedure appears administratively cumbersome, it has allowed private institutions to participate in the program, and it has not deterred employers from participation.

The Financial Aid Policy Issue

The second question involves overall State financial aid policy toward private institutions. It has been the State's policy to expand access and choice to all institutions of higher education by providing State assistance through the Cal Grant program to students at non-public institutions. However, these students have recently been receiving a diminishing share of these funds. One goal of a State-funded work-study program might be to redress this decline, possibly by setting different rates or levels of support for each of the participating segments. The total dollars generated through work-study would clearly serve to alleviate some of the students' financial burden at non-public institutions, were they to be included. Nonetheless, work-study funding is not strictly comparable to other forms of financial aid, since it generates other funds and thus cannot be substituted for loan or grant funds on a one-to-one basis. Flexibility in employer matching ratios and administrative discretion in allocating work-study funds for employment-related purposes preclude any precise comparisons; and this fact should be considered when determining the goals and operating policies of any possible program.

In addition, special attention should be paid to the restricted lack of access for proprietary schools to federal College Work-Study funds. Because of their for-profit nature, they are not themselves allowed to employ students with these funds. Instead, they can use College Work-Study funds only if their students are employed in off-campus, non-profit, public-interest organizations. As a result, participation of private vocational schools in the federal program is largely limited to those institutions that have developed agreements with such non-profit employers as hospitals and clinics. This constraint would remain if California were to adopt regulations for a State-funded work-study program similar to those of the federal program.

Washington State excludes private proprietary institutions altogether from its program, despite that fact that it utilizes for-profit employers of students at nonprofit institutions. Depending on the goals of such a program

in California, proprietary schools might at one extreme be similarly excluded or, at the other, included as employers. If California were to include proprietary schools and for-profit employers, these schools would most likely participate extensively in the program, and their participation would naturally affect work-study funding for other types of institutions.

STUDENT ELIGIBILITY

The determination of student eligibility for work-study aid requires decisions as to whether the program should be need-based, non-need-based, or some combination of the two, and, if need-based, whether it should employ federal criteria of need or other criteria. Colorado is an illustration of a combination program, whereby a specified proportion of awards are reserved for need-based (70 percent) and non-need-based (30 percent) distribution. One argument for non-need-based aid is the recent restrictions at the federal level on eligibility for federal aid, in that non-need-based aid at the State level can help those students who do not meet the new federal standards of need. Another way to help these students would be to adopt other criteria of need than those of the federal government.

Employing federal criteria for a need-based program would allow campus financial-aid administrators to utilize practices and concepts with which they are already familiar through the College Work-Study program. They would be able to dovetail awards, placement, payment, and reporting for the State program with their existing program operations, thereby avoiding the need to learn and implement a new and different set of guidelines and procedures. However, adopting federal regulations would not allow the State any additional flexibility in the use of its funds. States with existing work-study programs usually allow institutions to determine need based on some combination of federal and state standards, and California could choose to employ different standards of need than the federal criteria for such components as income ceiling, parental contribution, or student costs.

Criteria other than need would also be involved in determining student eligibility for a State-funded program. Participation could be restricted to California residents by using existing California residency requirements, or it could be open to other students as well. Class level could also be utilized to determine eligibility. For example, restricting eligibility to continuing undergraduates and excluding entering freshmen or graduate students would limit the size and scope of the program considerably, since freshmen and graduate students account for the bulk of most financial aid funds. Participation might be restricted to full-time students or opened to both full- and part-time students. Placements might be allowed on or off campus or both. And the program might operate year round, only for the academic year, or only in the summer. Thus Kentucky's program uses only private sector employers and operates only during the summer and vacation periods, thereby allowing students to earn money off campus toward their education while not actually in attendance. Finally, the program could focus on career-related or academic-related placements, in order to have students benefit from work experience related to their field of study. Research indicates that this policy is particularly beneficial, above and beyond the

benefit of work-study programs in expanding work opportunities and aid to large numbers of students with limited government funds by leveraging non-program matching funds. Studies indicate that the student's chances of completing college can be significantly influenced not only by the extent but by the type of employment. Analyzing data on some 41,000 undergraduates at 358 colleges and universities, Alexander Astin found (1975, p. 87):

> Having a job usually increases the student's chances of finishing college. If employment is less than full time (under twenty-five hours a week), the absolute benefits can be substantial: from 10 to 15 percent decrease in dropout probabilities. These positive effects of employment are even more pronounced among black students.

On-campus work increased these students' likelihood of graduating, while off-campus employment tended to increase the probability that they would drop out -- unless their off-campus job related to their course.

Astin also observed that campus employment seems to be most beneficial in preventing dropouts among students receiving very little or no grant or loan assistance, leading to the possibility that the greatest benefit to students of increased work-study opportunities may accrue to non-need-based students. From all these data, Astin concluded that "policy makers and administrators can reduce student dropout rates by providing greater opportunities for part-time employment, especially on campus" (p. 80). His evidence that on-campus employment or off-campus employment tied to students' course of study increases the likelihood of their graduation suggests that a State work-study should encourage students to work at jobs related to their studies rather than at other available part-time jobs.

EMPLOYER ELIGIBILITY

All state-funded work-study programs now in operation require that student employment not result in the displacement of existing workers, and all of them stress career relatedness in placement of students with employers. The major issue facing California in terms of employer eligibility concerns for-profit employers. Arguments advanced for their inclusion include the following :

- Students benefit from the combination of work experience in business and industry and related classroom instruction.
- Work experience in the private sector enables students to more easily gain employment in this area after graduation.
- Increased financial aid dollars are generated through the higher employer funding match ratios possible with private for-profit employers.
- Business and industry have more opportunity to become involved with postsecondary education institutions, thus not only fostering better employer/education relations but increasing the potential for future corporate contributions to scholarships and endowments.

- Research has indicated that students who work part time at jobs related to their studies do better academically and have greater appreciation of their education and stronger attachments to their institution than other students.

On the other hand, these problems have been identified from the participation of for-profit firms in work-study programs:

- State funds are used to benefit only certain businesses and private industries.
- Unfair competetion results from a subsidized labor pool being available only to this limited group of employers.
- Subsidized student employment can aggravate existing patterns of unemployment, when students are given scarce jobs.
- Differences in eligibility from the federal College Work-Study program may result in an additional workload for already overworked campus financial aid staff.
- Difficulty in defining "career-related" employment may lead to abuses by for-profit employers and students.

Despite these potential problems, the inclusion of for-profit employers has so far proven successful in those states that allow them to participate. Washington State has had ten years' experience with including for-profit employers, and it has served as a model for other states that have taken this approach, such as Kentucky, Virginia, and Florida. Oregon has approved a similar program but has not yet funded it. Florida implemented a program similar to that of Washington in 1982 and has funded it with a major commitment of $3 million dollars. Its program is currently serving 120 institutions, with participation by for-profit employers accounting for approximately 50 percent of the total, as in Washington State.

Those states that have included for-profit employers have apparently had few problems either from representatives of labor or from abuses of the program by employers or students. Consultation with all concerned parties before the introduction of legislation and clearly defined guidelines and reporting requirements seem to have prevented organized opposition to state work-study, and these programs encounter no more difficulties than those experienced by all forms of state financial aid.

ADMINISTRATION AND FUNDING

Administering a State-funded work-study program in California would neccesitate decisions in two major areas: (1) the locus of operational responsibility, whether at the campus or statewide level, and (2) the integration of the program with existing State financial aid programs.

Locus of Responsibility

Work-study programs can be difficult to administer because of their complexity both in terms of institution-student-employer relationships and in detailed reporting and payment procedures. For instance, a recent General Accounting Office audit of selected institutions participating in the federal College Work-Study program uncovered three common problem areas: (1) conflicts between scheduled work and class hours, (2) timekeeping and payroll errors, and (3) unproductive or ineffectively supervised work by students. The General Accounting Office recommended closer monitoring by independent auditors to correct these problems, although it decided against pursuing its own audit because the problems appeared to be more administrative than programmatic and not applicable to all schools.

Such problems would likely be part of any State-funded program, particularly one involving wide employer and student eligibility. However, the familiarity of campus administrators and financial aid officers with federal College Work-Study requirements and regulations could substantially reduce the extent of these problems and also allow campuses to integrate the new program into their existing student employment activities, such as cooperative education and internship programs. This fact, combined with the proximity of campus financial aid and employment staff to the needs of both students and employers, would appear to make campus-based operation of a State-funded program more effective than statewide operations. However, if constitutional prohibitions required administration of the program by a State agency in order to serve students at non-public institutions, California could consider the Washington State approach of statewide administration, which appears to allow administrative flexibility at public institutions while providing accountability for public funds at private institutions. In either case, oversight, monitoring, and evaluation should take place at the State level to assure program effectiveness.

Integration With Existing Aid Programs

At the State level, creation of a work-study program would require designation of a State agency or agencies to operate and assess the program and appropriation of funds to support it.

California's financial aid programs are currently administered by the Student Aid Commission. It would probably be better able to direct a new program than any existing agency or even a new agency, if adequate consideration is given to the workload required by the program. Other State agencies such as the Postsecondary Education Commission and the Office of the Legislative Analyst might best assess program effectiveness and advise legislators and other State officials about the program.

Crucial to the success of any new program would be the degree to which it supplements rather than supplants existing financial aid programs. Reappropriation of existing Cal Grant funds to a new program would meet resistance not only because of the existing inability of the Cal Grant program to meet students' financial aid needs but also because grant programs and work-study programs are not analogous in purpose or in their ability to meet financial aid need. The Cal Grant programs are designed to serve students in varying

circumstances at a variety of institutions in order to preserve educational access and choice, and funding of any new program that would reduce their funding should be considered only if the new program would assure more effective use of State funds in serving these students.

Funding for the program could be obtained either through appropriations from the General Fund or from special funds. Most states with work-study programs have chosen to appropriate new general funds for them, although Connecticut chose to finance its program through the imposition of a "sin" tax on cigarettes. Conflicting claims to such special funds and the uncertainties for the program generated by annual changes in them make this option risky. Connecticut's program has proven unsatisfactory for this reason, according to some financial aid administrators.

Finally, as noted earlier, implementing the program may be accomplished either through phasing it in as a pilot project, funded for a limited time prior to evaluation and possible expansion, or through full-scale commitment to the program from its inception. Limiting the program initally would offer advantages for observing and assuring its effectiveness without severely affecting existing programs, overburdening administrators, or over-committing State resources to it. On the other hand, the need for financial aid is so great and the experience of the federal government and other states with work-study is so extensive that full-scale implementation, coupled with ongoing evaluation, could be justified.

Both options have been utilized by other states. Some states such as Colorado and Minnesota began with a minimal programs and have since expanded them. Others such as Florida have made a large-scale commitment to work-study initially with the goal of making it a major part of their financial aid programs in a short period of time.

CONCLUSION

California has many options to choose from if it decides to undertake its own work-study program, all of them subject to the goals that the State would seek to achieve with the program and the manner in which the program would be implemented. Some options would achieve certain goals, such as major expansion of financial aid by the use of limited State funds, or the integration of off-campus employment with on-campus study, while others would undercut these goals. The experience of other states and the federal government can aid planning in California regarding these choices, if the State chooses to implement a program.

FINDINGS AND CONCLUSIONS

The prospectus for the study that has led to this report proposed that three policy questions should be addressed before any decision is made concerning a State-supported work-study program:

1. Is there a need for increased work-study funds as a method of meeting California's financial aid needs?

2. Of the available work-study alternatives, which is the most suitable for California's system of postsecondary education?

3. Could a State-funded work-study program be integrated easily into California's existing financial aid structure of grants, loans, and federal College Work-Study, or would it require extensive revision of current policies, practices, and priorities?

Based on its analysis of work-study programs, the Commission staff submits the following answers to these questions.

ARE MORE WORK-STUDY FUNDS NEEDED?

As indicated in earlier pages of this report, the staff concludes:

- The recent decline in student financial aid at the federal and State levels has produced a need for more student aid, particularly for aid that, unlike loans, does not encumber students by long-term indebtedness.

- California's involvement with the federal College Work-Study program has been long standing and extensive. However, cutbacks at the federal level during recent years and continued increases in student costs have reduced the number of these awards.

- California's utilization of College Work-Study funds appears to be high among public institutions, and no evidence exists that added work-study funds for them would not be utilized. Little utilization data exists for private institutions, however, and that which exists for public institutions is difficult to assess due to flexible reporting practices.

- The participation of California's public institutions in the Job Location and Development component of the federal College Work-Study program has produced a great amount of student earnings in terms of dollars invested by institutions and the federal government.

On the basis of this evidence, it appears that more work-study funds could be productively utilized in assuring the State's goals of access and choice in postsecondary education for California's students and relieving their burden of educational costs and indebtedness. These funds should not substi-

tute for existing grant and loan funds, since grants and loans are necessary elements in State financial aid; but used in conjunction with these other types of financial aid, work-study could narrow the gap between student financial needs and limited State resources.

WHICH WORK-STUDY OPTION IS MOST SUITABLE FOR CALIFORNIA?

Staff has concluded that any of a range of options would be suitable, including (1) augmenting California's participation in the federal College Work-Study program; (2) developing a separate State-funded program that complements the existing federal program without expanding greatly its eligibility requirements for institutions, students, and employers; and (3) launching a major new State initiative in financial aid through creation of a work-study program that could include significant departures from federal eligibility requirements.

Despite their common suitability, these several major options would differ in their impact on students' financial aid needs and in their generation of matching funds. For example, allowing for-profit employers to participate in the program and requiring career-related employment -- as some other states do, in contrast to federal policy, could expand aid opportunities by generating large matching funds and strengthening ties between employment and education.

Whatever option policy makers were to choose, the participation of students attending private institutions would depend on compliance with California's constitutional prohibition of direct State support to non-public institutions.

While each of the options has distinctive advantages and disadvantages, the staff believes that development of an initial small-scale program which avoids certain federal restrictions on student and employer eligibility would offer the best opportunity to evaluate the effectiveness of State-funded work-study in meeting California's financial aid needs without a large commitment of State resources.

COULD A PROGRAM BE INTEGRATED INTO CALIFORNIA'S EXISTING FINANCIAL AID SYSTEM?

The staff concludes that State-funded work-study could be integrated into existing financial aid policies, practices, and priorities rather than precipitating their revision, based on the following findings:

- Work-study conforms to existing State and Commission policies with regard to access and choice while at the same time epitomizing the "self-help" concept of financial aid.

- Work-study is a flexible program option that allows latitude in eligibility and regulation of institutions, students, and employers, and that can be made to conform to existing practices in these areas.

- Although operating and overseeing a work-study program presents administrative difficulties, the experience of many campus financial aid administrators with the federal College Work-Study program should minimize these problems.

- The inadequacy of current State fiancial aid programs in meeting students' financial needs suggests that any new program should supplement rather than supplant them.

In sum, the Commission staff concludes that State-funded work-study represents a viable, feasible, and potentially cost-effective addition to California's financial programs. Data on student financial needs and characteristics are so limited that the staff cannot claim that work-study is the best of all financial aid alternatives in meeting these needs. Certainly for some students, work-study may not be a practical source of aid. However, the ability of work-study to leverage funds beyond appropriations, its consistency with principles of access and choice, its flexibility as illustrated by the variety of options employed by other states and the federal government, and its emphasis on student self help, self reliance, and career development make it a program alternative deserving of consideration by State policy makers for meeting future student financial aid needs in California.

APPENDIX

CHANGES SINCE 1980 IN THE COLLEGE WORK-STUDY PROGRAM

The 1980 Amendments to the Higher Education Act expanded the scope of the College Work-Study program in two areas: first, by introducing a Job Location and Development program as a component of the program, and second by allowing employment of students in community service learning programs.

JOB LOCATION AND DEVELOPMENT PROGRAM

The purpose of the Job Location and Development program is to expand off-campus job opportunities for students enrolled in an eligible institution who want jobs regardless of their financial need. Up to 10 percent or $25,000 of an institution's College Work-Study allocation may be used for a Job Location and Development program. The program is not required to be campus based and may be administered by a local nonprofit organization or state employment agency. The program is designed to help those students without demonstrated financial need to locate employment and to expand the off-campus job market for these students. The program functions only in a location and development capacity, and employers are not eligible for the employment subsidy. There is a realistic expectation that project funds will generate total student wages exceeding the total amount of the federal funds expended.

The federal share of the total amount spent to establish or expand a Job Location and Development program may not exceed 80 percent of the total program costs. Table 9 indicates total expenditures, student earnings, and number of students served for 1980-81.

TABLE 9 Distribution of Job Location and Development Program Funds and Students by Type of Institution, 1980-81

	Federal Share	Inst. Share	Total Spent	Student Earnings	Number of Students
Public Four-Year	$1,700,111	$ 782,645	$2,482,290	$107,834,974	60,864
Public Two-Year	945,164	923,391	1,868,554	21,813,650	16,361
Private Four-Year	755,702	713,137	1,468,841	- 13,610,016	15,618
Private Two-Year	25,959	37,763	63,722	610,361	505
Proprietary	249,626	306,495	556,121	20,039,054	8,965
U.S. Total	$3,676,562	$2,763,431	$6,439,528	$163,908,055	102,313
Institutions	387	394	394	385	387

Source: U.S. Office of Education.

Although the number of institutions participating is limited (394 compared to over 3,000 participating in the College Work-Study program), the number of students served and the student earnings generated appear significant when weighed against a total federal and institutional share of less than $6.5 million. California's involvement with the Job Location and Development program exhibits this same pattern.

COMMUNITY SERVICE LEARNING PROGRAM

A second significant program expansion involves the employment of students in a community service learning program designed to develop, improve, or expand services for low-income individuals and families, or to solve particular problems related to the needs of low-income individuals. It should provide tangible community service that may include such activities as health care, welfare, crime prevention, transportation, or recreation. There is no limitation on the amount of College Work-Study funds that an institution may devote to a community service learning program. Participation in this program has been very limited. Because it involves an entire program design, limitations on institutional resources have prevented its use. Currently no California institutions participate in it.

INSTITUTIONAL ALLOCATION

Originally, College Work-Study funds were determined by a number of regional review panels that recommended what share of a state's allocation was to go to each institution. However, according to a 1983 report by the National Commission on Student Financial Assistance (p. 2) this system was open to charges of favoritism and rewarded the ability to write budget justifications rather than student need at the institution. An allocation procedure was developed that replaced the review panels with a need-based formula that allocated funds directly to the institution. These changes were incorporated into the 1980 legislative changes to the campus-based programs.

Under the new procedure, each institution receives an allocation computed in three stages: (1) a conditional guarantee, (2) a state increase based on its fair share of the state apportionment, and (3) a national increase based on its fair share of the national appropriations. The conditional guarantee aimed to provide protection against dislocations caused by the new formula by assuring institutions an allocation equal to 90 percent of their 1979-80 year expenditures. The remaining elements were designed to provide an equitable distribution of program augmentation. However, since 1981, funding for campus-based programs has been reduced, providing insufficient funds to honor even the conditional guarantees in most states.

Since this reduction in funding levels would have resulted in major losses to some states and institutions, the formulas were amended to reduce each state's share on a pro-rata basis to reflect the reductions in appropriations. The pro-rata allocation is based on the previous year's distribution of

campus-based financial aid funding and has since been continued through a series of continuing resolutions.

Thus the basic reforms for allocating funds established in the 1980 legislation have been effectively superseded by an ad hoc formula based on the total available funds and the previous year's distribution of these funds among states and institutions. Program reductions occur at the state level as decreases in federal funds available for each program change, and, at the state level, funding for individual institutions is pro-rata reduced in the same manner.

Appropriations for College Work-Study have suffered in recent years only to the degree that all federal financial aid programs have been forced to absorb reductions. The reauthorization of the Higher Education Act in 1985 could provide the basis for long-range stability and predictability for College Work-Study funding.

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